

Quality of Life Viewed through Another Lens

We are all very ignorant, but not all ignorant of the same things—Albert Einstein

Since Plato and Aristotle, philosophers have debated the topic of quality of life. Everybody seeks a better quality of life, although few people are able to define with precision the objective of their quest. If the key to a good quality of life were simply to have a good income, governments could concentrate their efforts on economic growth and ignore what people need for personal development and what society needs to achieve the public good. Reality, however, is quite different. In any democratic society, governments and the political systems that include them are judged not only by the quality of macroeconomic results, but also by their capacity to interpret and respond to the demands of the electorate on the most varied of fronts, ranging from national security to access to justice, and from the delivery of public utility services to the operation of hospitals and schools. A few basic economic and social statistics and a good dose of intuition to interpret public opinion and the actions of politicians are generally the main sources of information available to government leaders in making judgments and decisions.

Without disregarding these sources, it is also possible to go directly to individuals to find out what they think about the most important aspects of their lives, such as their health, their education, their jobs, and their housing, and how they perceive the main aspects of public policies and of the economic and social environment in which they live. Toward this end, more and more use is being made of surveys sponsored by private organizations or by governments themselves. The Gallup World Poll is the most ambitious effort available today for gathering information on perceptions of quality of life.

Through comparisons of data among various countries, and between the region of Latin America and the Caribbean¹ and the rest of the world, it is now possible to dis-

¹ Throughout this study, for brevity and ease of reading, the terms “Latin America” and “Latin Americans” are used inclusively to embrace the countries and people of the Caribbean as well. The databases used include various Caribbean countries.

tinguish the economic and social factors that most influence the perceptions individuals have of their own lives and of the situations in their countries. It is also possible to determine up to what point perceptions reflect reality according to official statistics on income, growth, unemployment, or poverty, or equally or more important, realities such as crime and the quality of education, which are typically ignored in official statistics.

This battery of data and analyses offers a new perspective for governments that want to identify the true needs of their citizens, for politicians who want to detect problems and controversial issues as the basis for their campaigns and decisions, and for companies and economic agents that need to better understand the behaviors of their markets and customers.

A Brief Overview

Are Latin Americans Different?

Although newspaper headlines frequently proclaim that one Latin American country or another is the happiest in the world or the most optimistic about its future, Latin Americans do not belong to another galaxy. In fact, South Asians and Western Europeans are consistently more positive in their opinions than Latin Americans. Nevertheless, there is great diversity within the region: Costa Ricans and Guatemalans stand out as the most optimistic in all aspects of their lives, whereas Chileans are seen as the most pessimistic. Perceptions fit psychological and cultural patterns: individuals are more positive in their opinions of themselves than in their opinions of other people or society as a whole, and the poor are kinder than the rich in their opinions of public policies, which constitutes an “aspirations paradox.” This diversity of opinions reflects more the variety of individual viewpoints than the diversity of countries, although the latter does influence the former. Age, gender, employment status, and religious inclinations are a few of the individual factors that affect the opinions people have of themselves and of the situations in their countries.

To illustrate the parallel between subjective opinions and objective indicators, this study introduces a Subjective Human Development Index, comparable to the well-known United Nations Human Development Index. Based on this index, in Latin America, Peruvians demonstrate the widest gap between their perceptions and the reality of their own lives and the situations in their countries. Argentines and Chileans are fairly critical, while Costa Ricans and Bolivians have a very benign opinion of the social situations in their countries.

The Conflictive Relationship between Income and Satisfaction

The direct relationship between income and satisfaction is the basis of all economic theory. But this relationship does not fully reflect what happens in practice. In general, people in countries with higher income levels feel more satisfied in all aspects of their lives. Nevertheless, in countries that experience more rapid growth, people are more likely to feel less satisfied, which implies an “unhappy growth paradox.” Also, in general, within each country people with higher incomes feel better off than those with lower incomes. However, when a person is surrounded by others with higher earnings,

his or her satisfaction with his or her own work, housing, and all the things he or she can buy and do is reduced. These findings have important implications for policymaking, which are discussed in several chapters of this volume.

Social Policies

Perceptions regarding health, education, and employment are analyzed with revealing results throughout this study. People's toleration of their own health problems is an obstacle for prevention policies and for improving health services among certain social groups and in some of the countries with the worst health indicators. Similarly, acceptance by the majority of Latin Americans of their education systems does not square with the pitiful results achieved by the countries of the region on international academic achievement tests. This acceptance contributes to the fact that the academic quality of schools is not considered important in the decisions Latin American parents make regarding the education of their children. More important factors are discipline, safety, and the physical appearance of schools.

Job Quality

Low-productivity jobs, informal employment, and work instability are palpable realities in all Latin American countries, yet these apparently negative realities stand in stark contrast to the opinions of the workers themselves. Most people in the region are happy with their jobs, and there are more salaried workers who would prefer to work for themselves than informal workers who dream of becoming employees. Although labor policies require that workers have social security, guarantees of stability, paid vacations, and many other benefits, these benefits are not what is valued by those who are happy with their jobs. What is important to them is flexibility, autonomy, respect, and opportunities for personal growth. This suggests the need to redesign labor legislation in the region to take into account the interests and needs of workers so that no conflict arises between their interests and preferences and their opportunities to be employed by high-productivity companies and sectors.

Cities

People's satisfaction with their own housing and cities depends on several variables that are regularly measured in censuses and other standard sources of official information, such as the delivery of services and the quality of housing materials. But it also depends on aspects that are less studied, and in many cases ignored by policies, such as property titling, neighborhood safety, public transportation, sidewalk and road conditions, and proximity to green areas. Some of these features are reflected in home prices, but others are not and therefore tend to be ignored by the market. Problems differ from city to city and neighborhood to neighborhood, highlighting the diversity in tastes and lifestyles among inhabitants. In this study, we propose methods for the valuation of urban public goods that may prove useful for understanding the operation of housing and land markets and for designing public service and taxation policies at the local level.

The Political Economy of Public Opinion

Along with offering policy recommendations for each issue analyzed, this study also draws attention to the effects that perceptions can have on political processes and on public decision making. The beliefs and the perception and interpretation biases of both the electorate and politicians and government leaders exert considerable influence on the supply and demand of public policies. Information possessed by various actors in the political process can affect (in ways that are not always consistent) the perceptions of issues among the different players, which in turn affect the policy discussion, formulation, and implementation process. On those bases, strategies are proposed herein to reduce the information gap and the influence of perception biases so that the public debate may involve better options for producing policies that contribute to improving the quality of life.

In light of the findings of this study, a government strategy focused on efficiency and economic growth has little chance of political success, given that growth in income may not result in increases in satisfaction with different aspects of life, especially if such income growth unequally benefits different groups of individuals, or if it substantially changes expectations for material progress. Hence, it is not surprising that Washington Consensus policies have been the subject of popular rejection, especially in countries where the promoters of such policies have tended to exaggerate their potential benefits.

To avoid the loss in satisfaction with life that typically accompanies periods of accelerated economic growth, it would be effective to reduce the income of those families or individuals who are visible reference points for the social groups most vulnerable to changes in expectations (especially the upwardly mobile urban middle classes). Some expropriations, price controls, or special taxes on successful sectors may serve short-term political purposes, but over the long haul they are unsustainable because they are harmful to growth.

It is more feasible to garner political support through strategies that combine growth policies with initiatives for economic and social inclusion and with measures that address immediate demands for health, education, employment, or housing services. But in any case, inclusion and social service delivery strategies that maximize political support are not necessarily those that produce the greatest improvements in the living conditions of the poor. Because of the “aspirations paradox,” generating dissatisfaction with social policies may be a requirement for creating political demand for better services in education, health, or social protection.

These incongruities between what may prove to be politically effective and what is effective in economic and social terms constitute a dilemma confronting politicians and government leaders today, especially in fragmented and high-inequality democracies, such as those of Latin America.

Because policy decisions in a democratic system are the result of conflicts and negotiations between groups with different interests and visions, rarely can these contradictions be resolved solely by appealing to technical arguments. Public debate may be more fruitful if opinion leaders and economic advisers to governments and political organizations begin to mine the riches hidden within the opinions of the people, so as to detect the limitations of traditional economic and social statistics and to better un-

derstand the motivations and needs of individuals, with all the opportunities and risks that this implies.

A Question of Approach

This study focuses on the opinions that Latin Americans have of their own lives and of the situations in their countries. This approach stands in stark contrast to the traditional approach of economists, who have avoided the use of subjective data both for theoretical reasons and because of the practical difficulties of measuring and interpreting opinions.

Traditional economic theory is based on the assumption that individuals are “rational” in the sense that they make decisions in order to pursue their own welfare in a coherent manner. According to this approach, the behavior of individuals is sufficient for deducing what advances their welfare (“revealed preferences” in economic jargon). Thus, if people work more, this implies that the welfare they derive from this increased work is greater than that which they would have obtained from the leisure they sacrificed in working more. If individuals spend the income received through this additional effort on luxury cars or upscale clothing instead of on a larger or better-located home, it is because they see the former as having greater utility than the latter. It is deduced, in accordance with traditional theory, that the higher the levels of income or consumption of any individual are, the greater his or her welfare will be, because of the increased options for choosing what will produce greater satisfaction or utility that the increased levels of income or consumption will provide him or her.² And if all individuals increase their levels of income or consumption, it is deduced that this group of individuals will necessarily have greater utility, that is, a better quality of life (i.e., the situation is “Pareto superior,” in the abstruse parlance of economists).³

Although this is an eminently theoretical approach, it exerts an enormous influence on the manner in which economists are accustomed to broaching the quality of life issue. First, it assumes that, because individuals are rational, their decisions must generally coincide with the objective of improving their utility or their quality of life. Second, it assumes that it is people’s decisions, more than their opinions, that reveal what brings them well-being and what does not. Third, and as result of the above, it posits that it is not necessary, and it may even be misleading, to try to measure directly the well-being that individuals experience or to attempt to compare the well-being of some individuals with that of others.

These conclusions, however, are debatable. Using a different approach, a growing school of psychologists and, more recently, economists and political scientists has attempted to establish some patterns of behavior of individuals vis-à-vis their consump-

² Unless the act of working more is not the result of a free decision, but instead an imposition.

³ In cases in which some individuals have suffered losses in income or consumption, it cannot be deduced with certainty whether society as a whole is better or worse off, because according to traditional economic theory, it is not possible to observe directly or to compare among them the well-being of these individuals. In keeping with this theory, it is necessary to introduce some value judgment to compare the incomes of various people. This value judgment may be reflected in the weighting (negative) that would be given to inequality within a function of social well-being (such a function is the simplified representation of the values that society as a whole or a hypothetical “benevolent social planner” would assign to average income and to its distribution among the population).

tion decisions or their attitudes toward risk. This school has also tried to measure, using various methods, the sensations and perceptions of well-being and is exploring their relationship with individual factors and with the economic, social, and cultural conditions of individuals. This new approach, although still lacking the elegance and conceptual coherence of the theoretical apparatus of traditional neoclassical microeconomic theory, is opening new horizons for understanding such paradoxes as “unhappy growth” or satisfaction amid poverty as the result of a lack of aspirations.

Economists’ suspiciousness in regard to opinion surveys is not based solely on theoretical reasons but also on the biases in people’s opinions of their satisfaction vis-à-vis the different aspects of their own lives or the situations of their countries, as well as on the errors in measuring such opinions. The morale of the respondents at the time the survey is taken or the phrasing or order of the questions may affect survey results.⁴ But inasmuch as better statistical and econometric methods have been developed, these difficulties have been reduced. Additionally, a growing number of surveys have yielded highly consistent results for phenomena once considered impossible to measure, such as happiness. The opinions people have of their well-being tend to reflect accurately the positive and negative sensations that they experience inwardly or that they express physically. These opinions also conform to those of close family members or friends in regard to the individual’s well-being and are associated with physical measures, such as high blood pressure or cardiac pulse rate.⁵

This study makes ample use of opinion surveys, not only to find out how individuals perceive their own well-being, but also to explore how they value the different aspects of their lives, how satisfied they are with their health, with their education and that of their children, with their work, and with various public goods—from urban infrastructure to safety. Of course, people’s opinions are not all that matter, and they can, in fact, lead to erroneous conclusions. For example, the opinions of individuals regarding their own health may not be accurate, or the manner in which they evaluate the education of their children may be conditioned by the limitations of their own education. Similarly, opinions regarding their work conditions may be affected by conformism, habit, or ignorance of labor rights. Many people may feel quite good about their cities, unaware of serious pollution or safety problems, while others may exaggerate the scale of these problems.

For these reasons, the many quality of life indicators based on perceptions may create confusion. Their usefulness for public policies depends on an understanding of how perceptions are formed and what factors influence them, as well as on recognizing the incongruities between perceptions and the economic and social indicators that society has chosen as its objectives.

Defining Quality of Life

Although quality of life, as applied to persons, has increasingly preoccupied medical, psychological, and social research since the 1970s, there still does not exist sufficient

⁴ Bertrand and Mullainathan (2001) discuss the most common statistical problems of surveys, and Veenhoven (2007) analyzes the possible biases and measurement errors involved in the questions on life satisfaction.

⁵ See the reviews of the validity of well-being measures in Diener (2005) and in Kahneman and Krueger (2006).

consensus on how to define the term, as each discipline has emphasized different aspects of the phenomenon. Multiple definitions of personal quality of life may be found, such as that which deals with the set of necessary conditions for happiness, with subjective life satisfaction, with the potential for adaptation, or with the basic commitment to improve one's life. Multiple meanings of the term as applied to countries may also be found.

However, the various accepted meanings of the term recognize that it is a broad concept that embraces more than the "living conditions" approach, which focuses on the material resources available to individuals. Quality of life also includes the circumstances in which people lead their lives. Accordingly, it is accepted that it is a multi-dimensional concept, not only because it requires that the diverse aspects of people's lives be taken into consideration, but also because it comprises aspects that are external to individuals and the interrelations among them. There is, however, no agreement on what these dimensions should be or how they should be selected or weighted to obtain a synthetic measure of the quality of life. Although the inclusion of subjective indicators to measure some of these dimensions or quality of life as a whole was the subject of much debate up until a few years ago, it is now accepted that subjective indicators are also relevant, and that the combined use of objective and subjective indicators provides a more comprehensive view.

Various taxonomies have been proposed for ordering the different elements involved in the quality of life. A common objective of these classifications is to organize the variables so as to later construct a comprehensive measure of quality of life (see Box 1.1). However, there is no need to construct a synthetic measure to study quality of life. On the contrary, given that there is no agreement on the definition of quality of life, or on the dimensions that make up the concept, or on how they should be combined with one another, the construction of synthetic indices contributes very little to understanding the complexity of the factors and viewpoints that influence quality of life.

Rather than as a basis for constructing synthetic indices of quality of life, the usefulness of a taxonomy of elements connected with quality of life lies in ordering the different meanings and dimensions of the concept of quality of life and of the variables involved. To quote Veenhoven (2000: 2), "Since we cannot force the use of words, we can better try to clarify their meanings."

The taxonomy used in this study is summarized in Table 1.1. The central structure of the table is provided by the distinction between individual and "national" variables (the table's columns) and by the distinction between "objective" variables and opinion variables (its rows).

Whereas individual variables refer to personal characteristics, to living conditions, or to the opinions of a particular person, "national" variables are aggregates for the country (and occasionally for the city or state, hence the use of quotation marks). In some instances the "national" variables consist of the sums or averages of individual variables, but this is not always the case. Policies or national institutions, for example, are not measured by statistical aggregation of individual observations. Individual variables that prove relevant to the concept of quality of life are not only those that are internal and specific to the individual, such as age, income or one's opinions of oneself, but also those referring to the individual in relation to others, such as marital status, relative income position, and one's opinion of others or of society as a whole.

Box 1.1 Quality of Life Components

Recognizing that quality of life is a multidimensional concept, academics from various disciplines have proposed alternative ways to classify its components, which are the conceptual basis for the hundreds of existing alternative measures of quality of life. A typical example of such measures, from a medical point of view, is Health Survey SF-36 (Ware, 1998), which assesses the quality of life of the respondent through its mental and physical components. The physical component is measured on the basis of 22 questions that inquire about physical limitations in regard to performing everyday tasks and work, the presence of pain, and perception of health status. The mental component combines the responses to 14 questions regarding vitality, emotional or physical limitations to social functioning, emotional limitations to work performance, whether the respondent characterizes him- or herself as nervous, and his or her degree of enjoyment of life.

A scale for measuring quality of life well known in the world of psychology is that proposed by Cummins (1997), which considers quality of life to be an aggregate of objective and subjective components. Each component includes seven domains: material well-being, health, productivity, intimacy, safety, place in the community, and emotional well-being.

One of the first attempts to measure the quality of life of a population in general was the Study of Comparative Welfare for Scandinavia, under the direction of Erik Allardt (Allardt and Uusitalo, 1972). This study considered the following criteria: income, housing, political support, social relations, irreplaceability, doing interesting things, health, education, and satisfaction with life. These indicators made it possible to distinguish between “having,” “loving,” and “being,” considered the three basic dimensions of welfare based on the humanistic psychology prevailing at that time.

Another outstanding effort to measure the progress of societies is that developed by Richard Estes of the University of Pennsylvania through his Weighted Index of Social Progress (WISP), which covers 163 countries. WISP consists of 40 indicators that constitute 10 subindices of the following quality of life components: education, health status, situation of women in the society, military expenditure, economy, demography, environment, social chaos, cultural diversity, and welfare effort.

Source: Based on Veenhoven (2000).

Table 1.1 A Taxonomy of Variables of Interest Concerning Quality of Life

Individual Variables	
Personal variables	"National" variables
Variables concerning the individual in relation to other people	
<p>Foundations of the lives of individuals or of society</p> <p>Abilities</p> <ul style="list-style-type: none"> • Age • Gender • Personality • Physical and mental health • Education • Knowledge and experience <p>Material conditions of life</p> <ul style="list-style-type: none"> • Income • Consumption • Housing conditions (ownership, quality of materials, access to services) • Access to health, education, social security • Job quality 	<p>Policies</p> <ul style="list-style-type: none"> • Economic (tax, economic regulation) • Work (hiring and firing laws) • Social (social security and protection) <p>Institutions</p> <ul style="list-style-type: none"> • Rule of law • Political institutions • Quality of public administration
<p>Objective results</p> <p>Relative conditions of life</p> <ul style="list-style-type: none"> • Income quintile • Income of reference group • Spatial segregation • Discrimination 	<p>"National" results</p> <ul style="list-style-type: none"> • Economic (GDP, inflation) • Human development (life expectancy, infant mortality, schooling) • Work (informal, unemployment) • Social (poverty, inequality) • Quality of environment (natural, urban)
Individual assessment of results	
<p>Assessment of results</p> <p>In regard to individuals themselves</p> <ul style="list-style-type: none"> • Happiness • Satisfaction with own life • Satisfaction with domains of personal life (standard of living, health, education, job, housing) 	<p>"National" averages of individual assessment of results</p> <p>In regard to individuals themselves</p> <ul style="list-style-type: none"> • Happiness • Satisfaction with own life • Satisfaction with domains of personal life (standard of living, health, education, job, housing) <p>In regard to the situation of the country or society</p> <ul style="list-style-type: none"> • General situation of country • Economic situation of country • Opinion on domains of personal life (health system, education system, employment policies, supply of housing, etc.)
Opinion Variables	

In principle, the distinction between objective and subjective variables involves the former being verifiable or externally observable, while the latter are not. Socio-demographic characteristics of individuals, inflation or gross domestic product are objective variables. Opinion variables are by definition subjective. However, the distinction is less clear than it seems at first glance. For example, most indicators of the quality of public institutions contain elements of subjective judgment by experts. Elements of subjectivity are also present in attempts to measure externally the abilities or knowledge of individuals. Nonetheless, for want of a better term, herein “objective” covers all those variables that constitute the foundations of life for individuals or society, as well as the observable results of their individual and collective actions and behaviors.

The taxonomy proposed in Table 1.1 is useful because it makes it possible to situate some of the concepts most commonly used in quality of life studies and relate them to the variables used in this study. For example, the *abilities* with which individuals confront life, such as their personalities, health, education levels, and experiences (the upper left-hand portion of the table) relate to the concept of quality of life understood as the “ability to live” (Veenhoven, 2000). Amartya Sen (1985) in particular has highlighted the importance of this aspect of people’s quality of life by emphasizing the development of abilities as a necessary condition for personal fulfillment and social development.

The *material conditions of life*, which include income, consumption, housing, access to health and education services, and employment conditions, are the objective results at the individual level. These results have been the focus of studies that have attracted the attention of economists, sociologists, and anthropologists since the 1970s.

Observing the quality of the economic, social, and institutional environment in which individuals live is another approach to defining quality of life. In this case, the approach involves objective conditions external to individuals that shape their existence and include both the policy and institutional variables that are the foundations for the functioning of society and the “*national*” results, whether economic, social, or environmental, for the country as a whole. This set of variables (the upper right-hand portion of the table) reflects how “livable,” to use a term of Veenhoven (2000), a society is.

In contrast to objective variables, or “facts,” are opinions (shown in the lower portion of the table). Within the opinion variables, the most important section in quality of life studies is related to *individual assessments of results in regard to themselves* (the lower left-hand section of the table), that is, the subjective evaluation that individuals make in regard to their life in general or to various dimensions of their lives or “domains” (material standard of living, health, education, employment, housing, etc.). In the past, this type of variable was virtually the exclusive preserve of psychologists and philosophers, but increasingly it is attracting the attention of economists as well. When the assessment refers to life as a whole, more precise terms are used, such as “life satisfaction” or the concepts of “happiness” or “overall happiness,” all of which are employed interchangeably (depending solely on the questions in the survey). More precisely defined, “overall happiness is the degree to which an individual judges the overall quality of his/her own life as a whole favorably. In other words: How much one likes the life one leads” (Veenhoven, 2007: 8).

In recent years remarkable progress has been made in measuring happiness (or satisfaction with life), as discussed in Chapter 4. Measuring happiness is the only way

in which an encompassing evaluation of the quality of life can be attempted. It is not feasible in any of the other approaches to assessing quality of life (through abilities, material conditions of life, or quality of the economic, social, and institutional environment of the country) to have a measure that encompasses the whole set of variables, simply because it is not possible to define a priori which components are valid and which are not, or how to assign a relative weight to each component. Neither does it make sense to combine indicators belonging to different approaches, although this has been the practice in the production of the hundreds of available quality of life indicators.

Although one's level of happiness or satisfaction with life is an encompassing assessment of the quality of life of individuals, this does not imply that public policies should be designed to produce maximum happiness or satisfaction. Since the reasons will be revealed in the chapters that follow, and summarized in the last chapter, suffice it to note here that happiness is an externally manipulable valuation, subject to inconsistencies and contradictions, and affected by biases that tend to favor the opinions that individuals have of themselves.

Happiness or satisfaction with life reflects quite imprecisely—and sometimes inconsistently—the opinions that individuals have of the situations of their countries or their societies (*individual assessment of results in regard to the situation of the country or society* in the lower portion of Table 1.1). Also, these opinions fail to clearly reflect the variables with which the quality of the economic, social, and institutional environment of a country is measured. The same holds true for the opinions of individuals in regard to the different dimensions or domains of their lives or within their societies.

Perhaps for these reasons, governments and analysts have so far paid very little attention to individuals' perceptions regarding their own quality of life or regarding the situations of their countries or societies. Although ultimately this study relates to public policies and their effectiveness, there are nonetheless valid reasons to investigate (in general and in each domain) how perceptions of the quality of life are formed and how they influence the decisions of individuals. First, this is an approach to quality of life that is valid in itself. Second, perceptions can influence the policies that are adopted in a democratic system, through the impact of voters on public decisions and on the control of government officials and public institutions. Third, perceptions can influence the effectiveness of policies so as to produce results, not only for the reasons already stated, but also because they can affect the expectations of individuals, their trust in institutions, and their attitudes of cooperation with state entities. Lastly, perceptions can provide information for the public debate on whether or not the policy objectives of the government correspond to the objectives of the people in their pursuit of well-being or to people's perceptions of happiness.

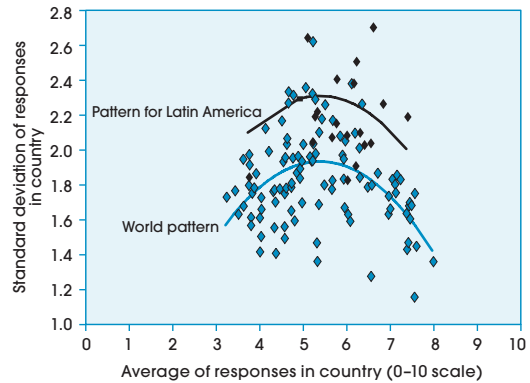
Subjectivity is inherent in the more general perceptions of quality of life, but instead of being treated as a deficiency, it should be considered part of the wealth of this sort of information. The degree of satisfaction with their own lives that people express through opinion polls can help to identify the aspects of life that are of greater or lesser importance to them, as shown in Chapter 4. In the same way, when responses about satisfaction with housing are compared to objective information about housing characteristics, it is possible to deduce the aspects of housing that are most important to respondents. Similarly, when individuals' responses about satisfaction with their neighborhood are compared with information about the state of the roads, the diversity of available services, or levels of public safety, the relative importance that individuals assign to each of these aspects of urban life can be established (see Chapter 8).

The majority of people in any given country might feel satisfied with their health, even though life expectancy is short, because they might not be aware of their own health limitations, or might compare their health to very modest models (see Chapter 5). People's opinions about the quality of the education system in their localities might not reflect traditional objective variables, such as school enrollment rates or the results achieved by students in internationally recognized academic examinations, because in their opinion as parents, the fact that their children are safe at school and are treated with respect might seem to be enough (see Chapter 6). The vast majority of Latin Americans might feel content with their work, in spite of high levels of employment informality and low levels of affiliation with the social security system, because many people place more value on their independence and flexibility than on the potential benefits of a health insurance policy or a pension plan (see Chapter 7).

A Subjective Human Development Index

It might be argued that the Human Development Index is the objective quality of life yardstick that exerts the greatest influence on governments and organizations promoting development around the world. In accordance with Sen's (1987) conceptual approach, this index does not seek to measure results achieved by individuals, but rather the capacities at their disposal to fully develop their lives according to their own preferences and decisions. By employing simple indicators that are available for virtually all countries in the world, on income, health, and education, and an elemental weighting system, the HDI can be used to draw up a worldwide country ranking of the basic hu-

Figure 2.5 Satisfaction with Own Life: Relationship between Averages and Dispersion



Source: Authors' calculations based on Gallup (2006, 2007).
Note: Each point represents a world country. Black points represent Latin American countries.

man capital available in each country. How does this country ranking compare with the perceptions that individuals have of themselves and of their countries? What particular characteristics would a human development index have, if it were based not on objective data, but rather on perceptions?

In order to tackle these questions, Néri, Sacramento, and Carvalhaes (2008) propose the construction of a Subjective Human Development Index, the inspiration for the calculations presented in this section. Using econometric techniques, Néri and his team have developed an index combining diverse indicators of opinion. Here, a simpler method is adopted, allowing the creation of two subjective indicators of the HDI. The first of these indicators is the Subjective Human Development Index–*Individual* (SHDI-I), which synthesizes three measures of *individual* satisfaction in the same three dimensions that make up the original HDI (income, health, and education), using the same weighting system as the original HDI. The second indicator is the Subjective Human Development Index–*Social* (SHDI-S), which is differentiated from the SHDI-I by the use of measurements of satisfaction in the same three dimensions, but referring to the state of the *country or society*, rather than to individuals.⁹

Under the original HDI's methodology, a country would obtain a perfect score (i.e., a value of 1) if it fulfilled four prerequisites: an income per capita of at least US\$40,000 (at purchasing power parity), an absence of adult illiteracy, full access to all three levels of the education system, and a life expectancy of 85 years. In the case of the SHDI-I, a country would obtain the maximum score if all persons in that country were satisfied with the things they could do or buy, satisfied with the education system in their town or city of residence,¹⁰ and happy with their own state of health. In practice, no country attains a perfect score, either on the original HDI or on the proposed subjective index. The indices do, however, measure the discrepancy between the actual and the perfect score, and thereby permit comparisons both between different countries and between the different versions of the HDI.

Figure 2.6 shows country scores on the two versions of the SHDI: the individual version is represented in bars and the social version as points. Three Latin American countries (Costa Rica, Guatemala, and Venezuela) reach levels of subjective human development similar to those found on average in North America or Western Europe. The lowest positions in the region are occupied by Haiti and Peru, followed by Chile, Trinidad and Tobago, and Argentina. The position of several of these countries in regard to their scores on the SHDI-I contrasts with the position attained based on their scores on the traditional HDI, which is shown on the right. In spite of these discrepancies, the correlation between the HDI and the SHDI-I for all countries is 55 percent, and that between the HDI and SHDI-S is 41 percent. Consequently, the subjective versions of the HDI do not exactly reflect the original HDI based on objective indicators, although they are not far off the mark.

Given the information provided by the subjective indices, it is possible to determine whether a crossover exists between a country's objective achievements and the

⁹ The questions considered in each case are to be found in Table 2.1. It should be pointed out that the question concerning satisfaction with education is the same for both indicators, given that there is no specific Gallup question for determining whether a person is satisfied with his or her own level of education.

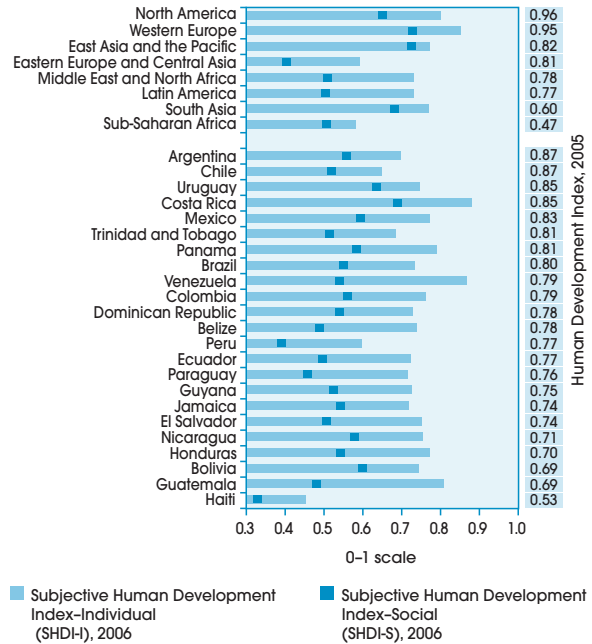
¹⁰ It should be remembered that owing to a lack of information, opinion expressed on education refers to its collective aspect and not its individual aspect.

perceptions people have regarding their own conditions. Using the statistical tool of cluster analysis, the 117 countries for which information is available can be sorted into seven different groups.¹¹ Panel (a) of Table 2.4 summarizes the objective HDI averages and the subjective HDI averages for the individual version for each of the seven groups and indicates to which group each Latin American country belongs. The majority of countries in the region are in the two groups in which a crossover exists between objective and subjective human development. The most interesting groups are those in which perceptions lag behind reality, which happens in the case of Argentina, Chile, Peru, and Trinidad and Tobago, countries where perceptions are very negative in the face of very real achievements in human development.

Similarly, panel (b) of Table 2.4 presents the results of the cluster analysis applied to the social version of the SHDI. All countries analyzed in Latin America belong to groups in which perceived human development is not equal to objective human development, which would seem to suggest a negative cultural bias in how collective aspects of human development are assessed. This discrepancy is particularly pronounced in two groups: the group in which Chile appears, alongside Trinidad and Tobago, and the group including Guatemala, Paraguay, and Peru.

As this analysis suggests, the subjective versions of the HDI do not reflect the objective HDI with any great precision, mainly because the former are heavily influenced by each country's cultural differences. In effect, the correlation between the aforementioned indicator of cultural bias and the individual version of the SHDI is 63 percent. The correlation with the social version of the SHDI is even higher (73 percent), which would seem to confirm that cultural leanings exert greater influence on opinions expressed about society than on opinions expressed about aspects of private life. Cultural bias explains 16 percent of the differences between the objective HDI and the SHDI-I, and accounts for 17 percent of the differences between the objective HDI and the social version of the SHDI.

Figure 2.6 Subjective and Objective Human Development Indices



Source: Authors' calculations based on Gallup (2006, 2007) and UNDP (2007).

¹¹ The total number of groups results from statistical analysis and is not determined a priori.

Table 2.4. Matches and Mismatches between the Objective HDI and the Two Versions of the Subjective HDI
a. Between the Objective HDI and the Subjective Human Development Index–Individual

Cluster	Human Development Index (HDI) 2005, average for cluster (a)	Subjective Human Development Index–Individual (SHDI-I) 2006, average for cluster (b)	Ratio of HDI to SHDI-I (b/a)	Number of countries in cluster	Countries of Latin America in cluster
A (countries with a very low level of both objective and subjective human development)	0.45	0.56	1.24	24	Haiti
B (countries with a very low level of objective human development but a medium level of subjective human development)	0.58	0.74	1.27	9	None
C (countries with a medium level of both objective and subjective human development)	0.73	0.72	0.99	17	Belize, Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Nicaragua, Paraguay
D (countries with a medium level of objective human development but a very low level of subjective human development)	0.77	0.56	0.72	17	Peru
E (countries with a medium-high level of both objective and subjective human development)	0.80	0.79	1.00	12	Brazil, Colombia, Mexico, Panama, Uruguay, Venezuela
F (countries with a high level of objective human development but a very low level of subjective human development)	0.89	0.67	0.75	13	Argentina, Chile, Trinidad and Tobago
G (countries with a high level of both objective and subjective human development)	0.93	0.84	0.90	25	Costa Rica
All countries	0.74	0.69	0.94	117	

Table 2.4. Matches and Mismatches between the Objective HDI and the Two Versions of the Subjective HDI (continued)
b. Between the Objective HDI and the Subjective Human Development Index–Social

Cluster	Human Development Index (HDI) 2005, average for cluster (a)	Subjective Human Development Index–Social (SHDI-S) 2006, average for cluster (b)	Ratio of HDI to SHDI-S (b/a)	Number of countries in cluster	Countries of Latin America in cluster
I (countries with a very low level of both objective and subjective human development)	0.46	0.44	0.97	22	Haiti
II (countries with a very low level of objective human development but a medium level of subjective human development)	0.55	0.70	1.28	11	None
III (countries with a medium level of objective human development but a very low level of subjective human development)	0.74	0.40	0.54	13	Guatemala, Paraguay, Peru
IV (countries with a medium level of objective human development but a low level of subjective human development)	0.75	0.56	0.75	19	Belize, Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Guyana, Honduras, Jamaica, Nicaragua, Panama
V (countries with a high level of objective human development but a medium level of subjective human development)	0.87	0.64	0.74	17	Argentina, Costa Rica, Mexico, Uruguay
VI (countries with a high level of objective human development but a very low level of subjective human development)	0.89	0.47	0.53	15	Chile, Trinidad and Tobago
VII (countries with a high level of both objective and subjective human development)	0.91	0.81	0.89	19	None
All countries	0.74	0.57	0.78	116	

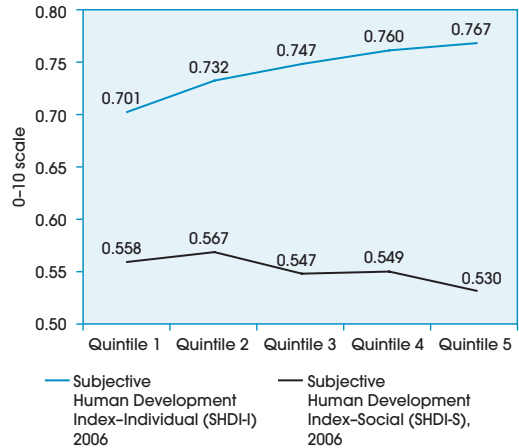
Source: Authors' calculations based on Gallup (2006, 2007) and UNDP (2007).

As is often the case with perceptions, those that refer to individual dimensions tend to be more positive than those concerning society in general. In effect, the points representing the SHDI-S in Figure 2.6 are always situated within the bars that represent the SHDI-I.

Given that the SHDI is based on individual perceptions, it is possible to calculate the indices for different segments of the population. Figure 2.7 graphs average scores for Latin America on the two versions of the SHDI according to the income quintiles of individuals within a given country. The curve representing the individual version of the SHDI has the expected gradient, but it is noticeably flat for underlying income inequalities. For the social version of the SHDI, the gradient is negative, which confirms the “aspirations paradox,” wherein poor people express more positive opinions on society as a whole than do rich people in the same country.

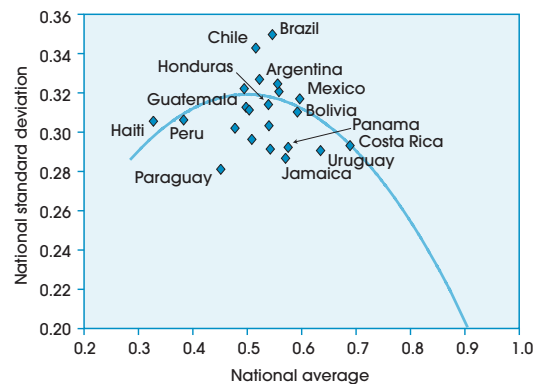
The SHDI further allows for the identification of the source of variance, given that it can be calculated for each individual according to his or her opinions. Returning to Table 2.3, the last two rows indicate that only a third of the divergence of opinions shown in the SHDI can be attributed to differences of opinion between countries, whereas most of the divergence of opinion derives from differences within the countries themselves. Table 2.2 demonstrates that divergence of opinion within the social version of the SHDI (73 percent) is higher than in the individual version (63 percent). Finally, Figure 2.8 shows that divergence of opinion within Latin America is rather high (consistent with the fact that many countries in the region occupy an intermediate position in the SHDI). In this way, the SHDI permits verification of all traits characterizing the formation of opinions on the quality of life, as summarized in the chapter conclusion, which follows.

Figure 2.7 Subjective Human Development Index by Income Quintile, Latin America



Source: Authors' calculations based on Gallup (2006, 2007) and UNDP (2007). Respondents have been classified into income quintiles according to household per capita income in each country (not in the region as a whole).

Figure 2.8 Dispersion and Average Level of Subjective Human Development Index-Social (SHDI-S), Latin America



Source: Authors' calculations based on Gallup (2006, 2007). Note: Each point in the figure represents a Latin American country; some points are labeled as examples.

Conclusion: The Personality Traits of Perception

This chapter has introduced the main actor in the rest of the book: public opinion, which turns out to be a surprising and truly versatile character.

Opinion is not merely a reflection of the objective reality that traditional economic and social indicators attempt to measure, although it is never divorced from these indicators. Opinion is greatly influenced by different cultures within different countries. Opinion is relatively positive in regard to private dimensions of life, and clearly more so than in regard to public dimensions. Contrary to what might be expected, in collective dimensions the opinions of the poor are generally more positive than the opinions expressed by the rich, giving rise to the so-called aspirations paradox discussed above.

Opinion, moreover, is not just a single character—it is numerous and diverse characters rolled into one. Although countries represent an important source of diversity, far greater variance flows from the diversity of individuals within a given country. One of the many intriguing traits of opinion is that divergence of opinion on collective life turns out to be at least equal to divergence of opinion about private life; in many cases it is even greater. While divergence of opinion within Latin American countries is greater than that found in other regions of the world, this diversity is not due, directly at least, to the stark economic inequalities found in those countries, but rather to other, more personal factors that will be identified in the rest of this volume. Now that the character traits of this new actor have been revealed, it is time to show how this actor relates with other, better-known characters, such as income.